









# SHIP MANAGEMENT TRENDS AND DEVELOPMENTS

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# 'Menu'



-  Ship Management: the Big Picture
-  Ship Management: the Capital Structure
-  Ship Management: the Pros
-  Ship Management: the Cons
-  Ship Management: the Growth Drivers
-  V.Ships Case Study



# Ship Management: the Big Picture

- ❏ Ship owners are primary customers but charterers & regulators are highly influential
- ❏ 58,000 vessels + > 6,000 new builds of miscellaneous asset types
- ❏ US\$30b annual spend on miscellaneous products & services\*
- ❏ Approximately 1.3M crew (officers & ratings) + 700K office support staff
- ❏ Over 200 ship managers globally, of which 12 are in the premier league
- ❏ Very fragmented supply industry with only a few managers managing more than 100 ships
- ❏ 13% of number of ships are currently managed via outsourcing

*\*2010 estimate by BCG*



# Ship Management: the Capital Structure

- The majority of large third party ship management companies are privately owned:
  - Anglo Eastern Ship Management
  - Thome Ship Management
  - Univan Ship Management
  - Executive Ship Management
- In most cases ownership is as part of a ship owning group:
  - Bernhard Schulte Ship Management
  - Columbia Ship Management
  - Northern Marine
- In some cases ownership is as part of a marine services group:
  - Graig Ship Management
  - Wilhelmsen Ship Management
- Some changes in ownership in last 10 years:
  - Wallem (Caledonia investments to private Norwegian investors)
  - Fleet Management (MBO from Noble)
- Limited interest to date by Private Equity Investors but:



# Ship Management: the Pros

- Resilience to market cycles (not immunity!)
- High and rising barriers to entry especially tanker sector
- Asset light, low capex requirements
- 'Lean and mean' philosophy
- Strong cash flow
- Widening target audience (cargo interests and financial investors)
- Channel to the BRIC countries
- Inorganic growth opportunities
- High protection/limited liability of ship managers
- Brand strength: possibility of brand extension/service diversification
- Way of entering the shipping world for new investors



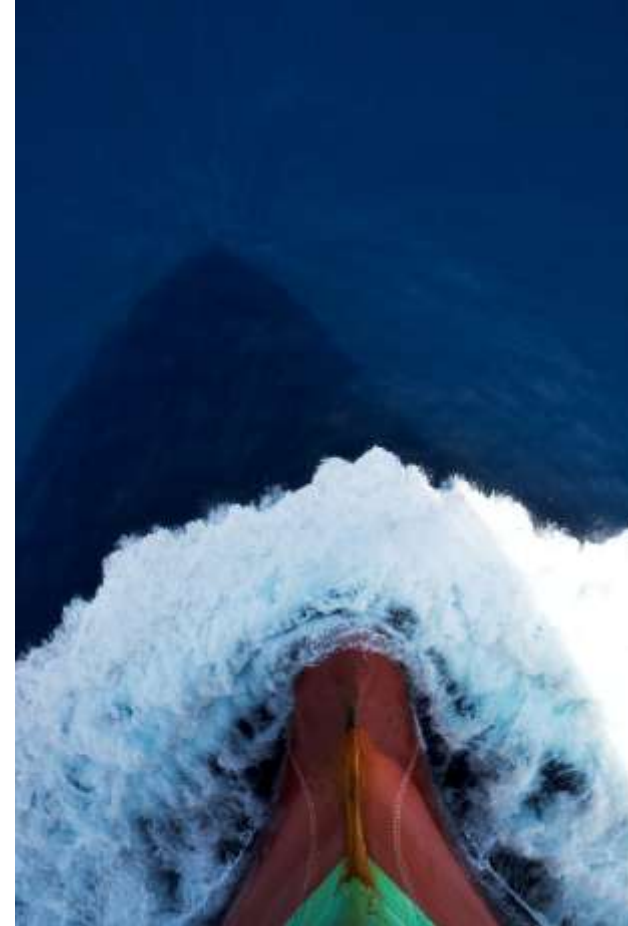
# Ship Management: the Cons

## MITIGATING ACTIONS

- High reliance on people (supply shortages) → Succession Planning
- Forex exposure → Financial and natural hedging
- Reputation risk viz major incident/accident and loss of oil major approvals → Professional risk management
- High performance not fully rewarded by fees → Selling on value-added not on price
- Fleet liabilities → Employ lots of accountants???
- Limited 'sex' appeal for investors → Educate investors on global business
- Difficulty to rate investment risk (partly due to no assets) → Transparency

# Ship Management: the Drivers

- Continued growth in the world fleet (>6,000 ships on order)
- Regulations (especially the Green Agenda)
- Manpower availability
- Convergence of bigger marine service providers and increasing partnering opportunities continue to expand in services:
  - Equipment manufacturer
  - Between service providers
  - Between service users and suppliers eg BOTS
- Investment in human resources and training
- Expansion in to BRICS
- Expansion into specialised sectors/untapped markets like Offshore
- Increase in customers' requirements

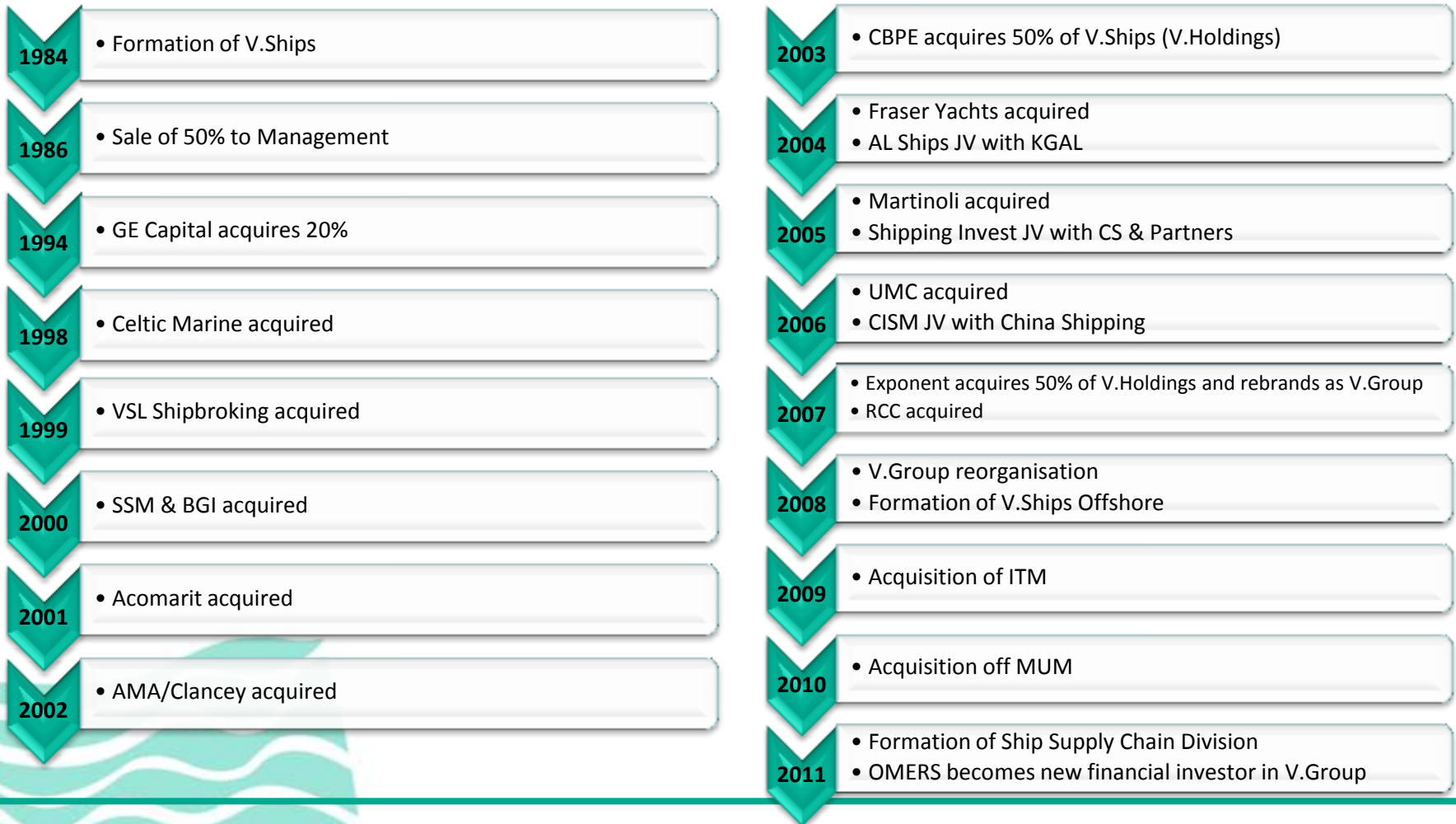


# V.Ships: The story so far

- Formed in 1984 with de-merger from Vlasov Parent (30 ships under management)
- 50% of shares acquired by senior mgmt in 1986
- GE acquires 20% of shareholding from Vlasov and management in 1994
- Close Brothers PE acquire 50% (Vlasov and GE exit) in 2003
- Secondary buy-out by Exponent of 50% (exit Close Brothers) in 2007
- 2011: strategic review...>1,000 ships.. OMERS becomes new financial investors in V.Group



# V. Ships: Inorganic growth



# V.Ships: Market Position

- Leading supplier of a broad range of out-sourced services
- More than a ship manager
- One-stop-shop
- Ability to serve wide range of vessel types
- Global footprint including extensive network of seafarer recruitment offices

## V.Ships Key Metrics

25,000+ Seafarers

3,000+ Customers

Services for 1,000+ Ships of all types

US\$0.5bn Gross Income in 2010

70+ Office Locations

1,800+ Shore-Based Employees

# V.Ships: Future strategy

- Ability to leverage flexible business model by developing client relationships
- Focus on organic business growth in established markets plus selective emerging eg: China, Brazil, Indonesia, Vietnam, Mexico
- Push harder/further into Asia and offshore
- Ongoing improvement in organizational efficiency and effectiveness
- Protect and strengthen the brand
- Revenue tied more to KPIs
- Focus on three Ps: People + Products + Process to deliver better customer service
- Crew retention and development (lifetime career, training etc)
- 'Pure' service offering but with virtual ship owner capability
- Strategic inorganic growth